

PROPOSED ACQUISITION FOR 70% INTEREST OF THE TWO (2) UNITS OF DETACHED COMMERCIAL BUILDING BLOCKS BY ADVANCE SYNERGY REALTY SDN BHD (“ASR”), A WHOLLY-OWNED SUBSIDIARY OF ADVANCE SYNERGY BERHAD (“ASB” OR “COMPANY”)

1. INTRODUCTION

The Board of Directors of ASB wishes to announce that ASR, its wholly-owned subsidiary, has on 16 January 2018 entered into two (2) Sale and Purchase Agreements as follows:-

- Sale and Purchase Agreement (“SPA 1”) with Petaling Garden Sdn Bhd (“Vendor 1”) for the proposed acquisition for 70% interest in a detached commercial 5-storey building block with carpark bearing postal address No. 17, Jalan Yap Ah Shak, 50300 Kuala Lumpur (“Property 1”); and
- Sale and Purchase Agreement (“SPA 2”) with Temasya Development Co. Sdn. Bhd. (“Vendor 2”) for the proposed acquisition of 70% interest in a detached commercial 4-storey building block bearing postal address No. 9, Jalan Kajibumi U1/70, Seksyen U1, Temasya Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan (“Property 2”) from Vendor 2

for a total cash consideration of RM40,950,000.00 (hereinafter referred to as “Proposed Acquisition”) and Vendor 1 and Vendor 2 shall hereinafter collectively be referred to as “Vendors”, Property 1 and Property 2 shall hereinafter collectively be referred to as “Properties” and SPA 1 and SPA 2 shall hereinafter collectively be referred to as “SPA”.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on the Properties

Information	Property 1	Property 2
Building Description	One block of detached 5-storey general purpose commercial building with small carparking area of its own which is currently vacant	One block of detached 4-storey commercial building with 1 level sub-basement parking space and 1 unit of guardhouse which is currently vacant
Postal Address	No. 17, Jalan Yap Ah Shak, 50300 Kuala Lumpur	No. 9, Jalan Kajibumi U1/70, Seksyen U1, Temasya Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan
Land Title	Geran 49661 Lot 5108 Seksyen 41, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur	Geran 332990 Lot 53432, Bandar Glenmarie, Daerah Petaling, Negeri Selangor
Land Tenure	Freehold	Freehold
Land Category/Use	Building	Building
Land Expressed Condition	Commercial building	Commercial building
Land Area	722 sq. m. (approx 7,771 sq. ft.)	3,314 sq. m. (approx 35,672 sq. ft.)
Gross Floor Area	36,540 sq. ft. (3,394.7 sq. m.)	55,741.16 sq. ft. (5,178.48 sq. m.)

Information	Property 1	Property 2
Nett Floor Area	20,214 sq. ft. (1,878 sq. m.)	46,491.87 sq. ft. (4,319.20 sq. m.)
Total built-up area including car park	40,100 sq. ft. (3,725.40 sq. m.)	72,362.50 sq. ft. (6,722.64 sq. m.)
Age of building	Newly completed in June 2017. Certificate of Completion and Compliance (“CCC”) issued in December 2017.	Newly completed in April 2017. CCC issued in August 2017.
Total Lettable Space	20,214 sq.ft.	46,491.87 sq.ft.
Location	<ul style="list-style-type: none"> • Prime location within the heart of Kuala Lumpur city centre in the vicinity of heritage row. Jalan Yap Ah Shak is the second layer off the artillery road of Jalan Sultan Ismail. • Heritage row is well known for its urban and lifestyle food and beverages outlets. • Nearest public transportation: <ul style="list-style-type: none"> ▪ Light Rail Transit (LRT) – Dang Wangi LRT station. ▪ Monorail – Medan Tuanku Monorail station. • It is conveniently encircled by major banks and shopping complexes with the nearest being the Quill City Mall and boutique hotels such as the recently completed Stripes Hotel. • Suitable for any types of commercial showroom and corporate offices. 	<ul style="list-style-type: none"> • Set against a convenient urban location with excellent connection to major growth areas including Subang Jaya, Shah Alam, Petaling Jaya, Klang and Kuala Lumpur. Within a close distance to Kuala Lumpur at 25km away, Petaling Jaya at 11 km and Shah Alam city centre at 7km away. • Easily accessible via the Federal Highway, the New Klang Valley Expressway (NKVE), the Guthrie Corridor Highway, Shah Alam Highway (KESAS) and Jalan Lapangan Terbang Subang. • Mature suburb with LRT connectivity (5 minutes walking distance). • Suitable for showroom or corporate offices. • Within a surrounding convenience of shopping complexes, Subang Parade and Empire Shopping Gallery.
Purchase price for 100% interest on the property	RM27 million which is subject to 6% Goods and Services Tax (“GST”) of RM1.62 million to be paid by the Purchaser	RM31.5 million which is subject to 6% GST of RM1.89 million to be paid by the Purchaser
Purchase price for 70% interest on the property	RM18.9 million which is subject to 6% GST of RM1.134 million to be paid by ASR	RM22.05 million which is subject to 6% GST of RM1.323 million to be paid by ASR
Net book value	Not Available	Not Available
Encumbrances	None	None
Restriction in interest	None	None
Authorities’ approval	Subject to approval by the Economic Planning Unit of the Prime Minister’s Department (“EPU”)	Subject to approval by the EPU

2.2 Information on the Vendors

Information	Property 1	Property 2
Registered Owner	Petaling Garden Sdn Bhd	Temasya Development Co. Sdn. Bhd.
Principal activity of the Registered Owner	Property Development	Property Development
Names of the Directors of Registered Owner	Dato' Khor Chap Jen Datuk Koe Peng Kang Datuk Tan Hon Lim Yuslina Mohd Yunus	Datuk Wong Tuck Wai Yuslina Mohd Yunus Datuk Zaini Yusoff Datuk Ahmad Abu Bakar Fadzidah binti Hashim
Names of the Substantial Shareholders of Registered Owner and their respective shareholdings	Wholly owned by I&P Group Sdn Berhad	Substantial shareholders are: (1) Petaling Garden Sdn Bhd - 7,550,000 shares (66.06%) (2) UDA Holdings Berhad - 3,429,000 (30.1%)

2.3 Information on the purchaser of the remaining 30% interest on the Properties

Kibar Konsep Sdn Bhd (“KKSB”), a 100% Bumiputera owned company, will be acquiring the remaining 30% interest in the Properties. The Directors and shareholders of KKSB are Ms Aryati Sasya Dato’ Ahmad Sebi (who is also a Non-Independent Non-Executive Director of ASB) and Mr Anton Syazi Dato’ Ahmad Sebi (who is also the Executive Deputy Chairman of ASB). Their father, Dato’ Ahmad Sebi Bakar, is the Group Chairman of ASB. Ms Aryati Sasya Dato’ Ahmad Sebi owns controlling interest in KKSB.

2.4 Salient Terms of the SPA

The salient terms of the SPA as set out below apply to both SPA 1 and SPA 2. ASR and KKSB are referred below as “Purchaser” and Vendor 1 and Vendor 2 are referred below as “Vendor”.

The Properties are sold on an “as is where is” basis with vacant possession subject to the terms and conditions of the SPA which include, inter alia, the following:-

2.4.1 Basis of Sale

The Properties are sold free from all encumbrances whatsoever but subject to any restrictions in the interest and conditions express or implied in the title to the Properties and the existing category of land use affecting the Properties.

2.4.2 Condition Precedent

- (a) The sale and purchase of the Properties shall be subject to the approval of the EPU for the acquisition of the Properties by the Purchaser on terms and conditions acceptable to the Purchaser (“EPU Approval”), being obtained by the Purchaser within two (2) months from the date of the SPA (“Conditional Period”).

- (b) The Purchaser has one (1) month automatic extension, commencing immediately upon the expiry of the Conditional Period or such period as the parties shall mutually agree (“Extended Conditional Period”) to secure the EPU Approval.
- (c) If the EPU Approval is not obtained within the Extended Conditional Period, the Vendor shall refund the Deposit to the Purchaser without interest.

2.4.3 Purchase price and schedule of payment

The purchase price for the Properties shall be paid in the following manner:-

No.	Description	% of Purchase Price
(a)	<u>Deposit</u>	
	(a) <u>Earnest deposit</u> Paid prior to the execution of the SPA	2%
	(b) <u>Balance deposit</u> Upon the execution of the SPA	8% and 6% GST on 10 % Deposit
(b)	<u>Balance Purchase Price</u> Within the Completion Period or the Extended Completion Period (as applicable) as described below.	90% and 6% GST
Total		100%

2.4.4 Completion Period

The completion period of the SPA shall be three (3) months from the date the EPU Approval is obtained or is deemed to have been obtained by the Purchaser.

2.4.5 Extended Completion Period

One (1) month extension is provided subject to an interest of 8% per annum.

2.5 Basis and justification of arriving at the purchase price

The purchase price was arrived at on a willing-buyer willing-seller basis, after taking into consideration, amongst others, the strategic location, earnings potential as well as development potential use of the Properties in the future. There is no valuation carried out on the Properties.

2.6 Source of Funding

The Proposed Acquisition will be funded by internally generated funds and/or bank borrowings. The exact mix of the internally generated funds and bank borrowings will be decided by the management at a later stage taking into consideration the gearing level,

interest costs as well as internal cash requirements for the business operation of ASB Group.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is a strategic investment opportunity for ASB Group to strengthen its asset base by acquiring these newly completed real estate properties which are strategically located at reasonable purchase prices. The Proposed Acquisition also forms part of ASR's new strategy to expand its business into property investment and to diversify its property business from East Malaysia to Peninsular Malaysia.

4. PROSPECT AND FUTURE PLANS OF THE PROPERTIES

ASR has the capacity to manage and realise the asset-improvement strategy intended for the Properties to maximise the income and value of the investment.

The Group expects the rental rates in Jalan Yap Ah Shak and Temasya Glenmarie to remain stable in the future and with significant potential for appreciation in capital values of the Properties taking into consideration the mature infrastructure, amenities and facilities located in the vicinity of the Properties and further development potential of the Properties. The potential rental income from the Properties will provide ASR with an additional source of recurring income.

With the strategic location of the Properties, the Group believes that the Proposed Acquisition will contribute positively to the future earnings of ASR given the prospects of the long-term growth and demand for co-working and serviced office spaces in Klang Valley, Malaysia and the region.

5. RISKS IN RELATION TO THE PROPOSED ACQUISITION

The completion of the SPA is subject to the fulfillment of the condition precedent as set out in the SPA. There can be no assurance that the Proposed Acquisition can be completed within the timeframe set out in the SPA. The sale and purchase of the Properties shall be subject to the EPU Approval being obtained within three (3) months from the date of the SPA.

The other risks involved would be industry specific associated with the property management and rental industry and general risks including inherent business risk, for example, risks relating to general economic and political climate, customer preferences as well as seasonal vagaries, natural disasters, epidemic and terrorism. With an experienced management in the property development and property management industry, ASB Group believes that it is able to mitigate these risks. In addition, the operational risks would be managed by the operational staff and the management in the course of running the business.

The Proposed Acquisition may also be exposed to certain risks inherent in property investment such as competition from other new and upgraded properties, loss of attractiveness of the property, increasing maintenance costs as well as undertaking renovations that necessitate capital outlay as the property gets older. However, the risks are mitigated as the Properties are newly completed and there will be regular repairs and maintenance to the Properties to ensure that they will be in good tenable condition to remain competitive.

There is a potential financing default risk to ASB Group should the Properties fail to generate satisfactory rental income and are unable to meet the debt obligations to the lenders. The management will continue to undertake prudent financial management practices so as not to affect ASB Group's ability to service its repayment obligations.

Apart from the general business risks and the financing risk mentioned above, there are no other material risks expected in relation to the Proposed Acquisition.

6. EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings of ASB as the Proposed Acquisition does not involve issuance of securities.

The Proposed Acquisition is not expected to have any material impact on the gearing, earnings per share and net assets per share of ASB Group for the financial year ending 31 December 2018.

7. APPROVALS REQUIRED

The Proposed Acquisition is subject to the EPU Approval as set out in the SPA.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the directors or major shareholders of ASB or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition by ASR.

9. DIRECTORS' STATEMENT

The Board of Directors of ASB, after careful deliberation on the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Group as the terms of the Proposed Acquisition are fair and reasonable and on normal commercial terms and are not detrimental to the interest of the minority shareholders.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to fulfillment of the condition precedent as set out in the SPA, the Proposed Acquisition is expected to be completed in the first half of 2018.

11. PERCENTAGE RATIOS UNDER THE MAIN MARKET LISTING REQUIREMENT

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements amounts to 9.02% based on the latest audited consolidated financial statements of ASB for the financial year ended 31 December 2016.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA1 and SPA 2 are available for inspection at the registered office of the Company at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 16 January 2018.